

## HOWARD G. SEITZ MEMORANDUM

To:	Finance Committee
From:	Howard G. Seitz
Date:	April 11, 2006
Subject:	Flip Tax

Where I think we stand after our <sup>November</sup> ~~December~~ meeting was that the Finance Committee felt that the flip tax I proposed was worth considering assuming there were no legal barriers.

Kevin Plunkett's firm has confirmed that there are no legal barriers; albeit, he and Darius have raised certain issues which are essentially marketing issues.

I enclose copies of various memoranda on this issue.

Two-thirds of our budget is personnel costs which increase at c. 4 ½% a year.

Deferred maintenance, unfunded mandates from State and Federal government, actions taken by the City, e.g. purchase of CVS, will result in significant additional costs going forward.

Our options are two.

Seek to get some portion of these monies from third parties or increase our real estate taxes.

Rye has no significant commercial base which means any increase in taxes must be borne by the home owner.

Long term, this hurts real estate values in Rye.

This, of course, is why people flee to Greenwich.

The overwhelming argument in favor of my proposal is that, economically, it generates money from people other than long time Rye citizens.

The arguments against it, I think, are two.

First, a perception that this would adversely affect real estate values in Rye;

Second, it may not be feasible.

As to the second, frankly, I think this is a marketing issue.

It may not be feasible, particularly if put forward from just one community because one is dealing with bureaucrats.

Accordingly, I think it's something which must be marketed initially to adjacent communities and organizations like NYCOM (which has expressed an interest in it) with the goal of getting a critical mass of communities behind it. This will be a several year project. Worst thing that happens is it doesn't fly.

The problem is the same across the board in all communities similar to Rye.

As to the first, I believe that is a misperception.

High taxes hurt our re-sale value.

When the smoke clears, I think Rye is a premium product which commands a premium price.

That premium belongs to the community and not the real estate developer, I believe this proposal will permit the community to get a piece of it.

Finally, how do you measure revenues most easily?

I suggest we simply go to building applications over the last three years and find out what the "tear down" is sold for and then go back and use that the base for determining a range of numbers.

The revenues should be used for infrastructure and also to build up a rainy day fund.

Durland and CVS were hanging out there for years and we were not prepared for them.

The next big piece will be Rye Arcade and again we are unprepared.

I believe Rye should go forward with something along these lines.

Bottom line, to paraphrase Ronald Reagan "If not this, what?," "If not now, when?"

Very simple question. How else can we raise the moneys we will need without significantly increasing the home owner's real estate taxes?

I will be happy to meet with the Finance Committee to discuss this proposal with you at your convenience.

  
H.G.S.

## PROPOSAL

### Flip Tax

1. 5% on all transfers of real property in Rye, decreasing at .5% a year for each year the seller has owned residential real property in Rye.
2. Holding periods can be tacked, i.e. if I sell and repurchase within a year, my holding period starts from the date of the prior purchase and I am entitled to a refund if I paid the tax at the time of the first sale;
3. No tax on sales of \$750,000 or less;
4. Proceeds to be applied to infrastructure costs, debt and reserves for acquisition.